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**TRENDS AND DEVELOPMENTS IN
COMMUNIST CHINA'S
WORLD TRADE IN
FARM PRODUCTS
1955-60**

FOREIGN AGRICULTURAL ECONOMIC REPORT NO. 6

U. S. DEPARTMENT OF AGRICULTURE
Economic Research Service
Regional Analysis Division



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SUMMARY

The keynote of economic policy during the first 11 years of Chinese Communist rule of the Mainland was the exporting of farm products to pay for imported machinery and industrial supplies. Scarce foreign exchange was not to be used for importing foodstuffs. Industrialization had a much higher priority. Driven by a powerful will to industrialize, China became a large supplier of farm products sold in world markets.

The above basic objective has not been abandoned. However, beginning with 1959, inept Communist agricultural policies of long standing, coupled with unfavorable weather, brought three poor crop years in a row. Thus, by 1961, hunger, malnutrition, and famine forced a cutback in farm exports and required emergency purchases of food grains. Between 5.5 and 6 million metric tons of grain were bought for cash and on credit for delivery in 1961, mostly from Canada and Australia. Importing is continuing in 1962. Time will tell whether the chaotic agricultural situation can be straightened out enough to permit the regime to again curb imports and return to an export level comparable to the amounts being exported prior to 1961 and shown in this report. A great deal hangs on the answer to this question that is of interest to U.S. agricultural producers.

This interest stems from the fact that the United States and Communist China are the world's two largest producers of farm products and both countries are major exporters. Hence, the two areas are competitors in world agricultural markets, especially in Western Europe and Japan. Soybean marketing affords the most active competition. China and the United States have long been the world's largest producers. But since World War II, U.S. production of soybeans has expanded rapidly while China has not progressed. China continues to export soybeans largely because of a compelling will to import industrial supplies and capital goods, and possibly in this time of crisis to pay for less expensive food grains.

For much the same reason China moved up to become a large rice exporter when supplies are available. Markets for Chinese rice are located primarily in the Communist Bloc and nearby Asian Free World countries. But the marketing area has shown signs of expanding into Africa and Latin America, paralleling China's growing political role in those areas.

In addition to rice and soybeans the Mainland is exporting many other farm products including livestock and livestock products, fruits and vegetables, poultry and eggs, tobacco, and such traditional Chinese exports as tung oil, silk, and tea. The last three items have declined seriously in importance.

On the import side China purchased mostly industrial crops suitable for use in industry or for re-exporting prior

to 1961. Rubber, wool, and cotton obtained from the Free World constituted much of the farm imports coming into China.

The dollar volume of reported Chinese farm products shipped to the Free World reached a peak of \$448.6 million in 1958, declined to \$403 million in 1959, and amounted to only \$387.5 million in 1960. Shipments to the Soviet Union in 1958-59 moved differently. In 1958, sales to the Soviets amounted to \$389.2 million, but went up to \$450.6 million in 1959, rising while sales to the Free World were declining. In 1960, shipments to the Soviets were cut back far more sharply than were exports to the Free World, dropping from a high of \$450.6 million to only \$209.9 million. Data on shipments in 1961 are expected to show reductions for all areas, but the reductions will likely be heaviest in the portions going to the Soviet Union.

In a broader perspective of economic development and foreign trade during the fifties, several factors stand out. First, with recovery and expansion of the Chinese economy, foreign trade trended upward at a fast pace. Second, the decade began on a note of high hopes and ended with the country in the throes of a deepening economic crisis caused by, among other things, crippling failures in agriculture.

Third, the regime used foreign trade together with economic aid, technical assistance, and propaganda to entice underdeveloped countries to adopt Communist methods and to bring them into the Communist camp. In the industrialized areas, trade and the promise of trade were used to promote diplomatic recognition and to break down trade controls imposed by the West. Wherever possible both economic and political objectives were pursued simultaneously.

Fourth, while the dollar volume of farm-product exports went up, the percentage that agricultural products were of total exports declined from an estimated four-fifths of the total in 1952 to between 50 and 60 percent in 1960. China moved toward exporting more processed goods made from farm-grown raw materials and mineral products.

Fifth, for ideological reasons primarily, the Chinese regime reorientated the country's foreign commerce away from the Free World and toward the Communist Bloc. In 1955 about three-fourths of total trade was with the Bloc--almost a complete reversal of the ratio at the beginning of the decade. By 1959 the Free World had recovered some of the loss and accounted for about one-third of the total.



TRENDS AND DEVELOPMENTS IN COMMUNIST CHINA'S WORLD TRADE IN FARM PRODUCTS, 1955-60

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INTRODUCTION

The Peoples Republic of Communist China was established in Peiping on October 1, 1949. From the time of its inception the regime has had as an overriding purpose the rapid development of heavy industry with armaments manufacturing capabilities. Such industrial strength is regarded as a necessity if China is to achieve quickly the power and influence envisioned by her leaders. Consequently, every ounce of the nation's energy and resources has been channeled toward achieving industrial strength.

The major problem in industrialization arises in that China is a retarded country both in industry and agriculture. Modern science and technology are foreign imports. The essential supplies, machinery, and technology can be brought in from advanced countries, but only if a means of payment can be arranged. This is a hard fact despite some loans from the Soviet Union.

The regime's answer to the payment question has been simple in concept though enormously difficult in practice because of farm-product scarcities. During the first 11 years the regime by rationing and rigid austerity was able to export farm products in sufficient quantities to make impressive industrial advances. In some quarters the rise of Communist China has been described as the outstanding development in Asia during the fifties. In China's approach to economic development, agricultural production and foreign trade in farm products are closely linked to her industrial growth and economic, political, and military posture. In fact, the regime's total national aims and programs rest precariously on the capabilities of a weak and technologically backward agriculture. With the population on a narrow subsistence margin there has always been the question of how long such an approach could go on. This relationship and uncertainty have attracted far greater attention to Chinese agriculture and agricultural trade than would be warranted on a straight commercial basis, though China is an important supplier and at times a substantial buyer of farm products. The current situation of agricultural crisis and stalemated industrial growth underscores the above points of interest.

The United States does not trade with Communist China, but as both countries produce and export many farm products that are alike or similar in use, they compete in world

markets. Any analysis of the world agricultural supply and demand situation is grossly incomplete if it excludes China, the second largest agricultural producing country in the world, with nearly one-fourth of the world's population. These and other factors of broad national and economic interest point up the need for more knowledge and information about China's agricultural production and trade. And the need to stay abreast of developments increases as China moves forward into an enlarged role as a world power and a trading nation.

METHODS OF OBTAINING DATA

The problem of obtaining data for analysis is a difficult one. China does not publish foreign trade statistics. Reliable figures are scarce and often impossible to obtain. The major source is from trade partners. Some countries trading with China do not publish trade books until several months after the end of the year. Also China is now trading to some extent with most countries, the United States being the only major exception among the leading trading nations of the world. Searching through and compiling data from the trade returns of many countries is a slow, difficult process. These factors cause a serious lag in trade analysis and leave gaps in data regarding current trade. This lag is particularly unfortunate at present since China has been forced to become a net importer of food grains. For the Free World, the use of trading-partner source has, nevertheless, been reasonably satisfactory from the beginning of the Communist regime in 1949. But the largest part of China's trade is now with the Soviet Union and other Communist Bloc countries. Before 1955, there were practically no details of this intra-Bloc trade available.

Data are still not complete enough to give an accurate picture of world trade with China. No trade statistics are available for the Asian Communist countries--North Korea, North Vietnam, and Mongolia--or for Albania in East Europe. Also, gaps and inconsistencies remain in other areas.

In addition to the problem of availability, bias is often introduced in converting foreign currencies to dollars at the official rates of exchange. In balance of trade and payment there is also the problem of adjusting for c.i.f.-f.o.b. factors, departure and arrival time of shipments, unreported trade, and re-exporting possibly leading to double counting. It is beyond the scope of this report to undertake to adjust for these factors.

Now, however, the increasing amount of useful information becoming available is sufficient to construct a reasonably accurate general picture of China's trade for the period 1955-59 and part of 1960. This publication is intended to gather in one place and in a systematic manner the scattered and fragmentary information. Data for 1960 are not yet fully

available. It is hoped that summaries of available information will give a useful picture of the volume, market outlets, trends, and the several complex and important forces shaping China's foreign trade policies and programs. Except where otherwise indicated, data used are unadjusted as taken from the trade returns of trading partners. For the most part only trade figures which are reported and can be identified are used. This, of course, understates the actual level of trade. Also, agricultural trade by value and direction and commodity-by-country are not necessarily comparable.

TRADE OBJECTIVES AND POLICIES

Dependency on Trade

China's foreign trade is planned and conducted so as to serve most effectively two major national objectives--domestic economic growth and political strength abroad. At home, trade is geared to the overriding national goal of a rapid build-up of the domestic economy. Top priority is given to fast growth of heavy industry and armaments manufacturing capabilities. The primary economic goal is to mobilize the nation's total strength and resources for the task of building foundation industries such as iron and steel works, a machine tool industry (machines to make more machines), and power facilities for supplying the energy needed for industry. Great stress is also being placed on building a supporting modern transportation and communications network that will tie the huge land mass of China into a more compact economic and political entity. Progress in this basic beginning is vital and is viewed by the Chinese leaders as a first step in a charted course designed to lead to economic strength, national power, and world prestige. The regime believes that this is necessary and possible, whatever the cost in human suffering.

China's reported population is more than three times that of either the Soviet Union or the United States. Obviously, in terms of economic growth and strength, uniting modern science and machine power with a Chinese population of nearly 700 million and a wealth of natural resources is an impressive and promising undertaking. But finding a means of paying for necessary imports is a major barrier to progress in an industrial build-up. Any plans to overcome this problem focus inevitably on farm products as the key.

Without massive economic aid from the outside, China can obtain and pay for the required modern equipment, supplies, and technical aid only by exporting. Being primarily an agricultural country with 85 percent of the population earning a livelihood from farming, China has had to make farm products carry the weight of the export burden. The Chinese authorities recognize the dependency and aptly sum up their

views on the subject of farm products in this stock slogan: Agriculture is the foundation of the economy and without success in agriculture the national plans of economic expansion are impossible. Today, more than ever before, this theme is being officially emphasized inside China, reflecting increased difficulties in the agricultural sector and the threat not only to industrial development, but to the survival of the regime.

In attempting to solve the export availabilities problem, Peiping is following the example set by the Soviet Union. The Soviets in the beginning purchased grain and farm products at low prices and used these to sell or exchange for a foundation of heavy industry. This technique opened the way for the Soviet Union to become the second largest industrial power in the world with a surging industrial economy in less than a generation.

Can China follow in the Soviet Union's footsteps and use agriculture to pave the way toward becoming a great industrial and world power? It is possible, but it is far from certain. Both countries used agriculture as an economic fuel box to power the initial thrust required to surmount a technological lag. But China started from a lower level in industry and technology. Also the domestic demands on farm production in China are much greater; the population lives on the margin of bare subsistence even in good crop years, making it more difficult to isolate and set aside farm products for export. True, China does have the benefit of Soviet experience and technical assistance. However, to progress quickly, agriculture must stand up to the growing demands. So far, agriculture has not had much government support in terms of essential farm production requirements, such as commercial fertilizers, modern equipment, and improved seeds. A breakdown in the agricultural sector has from the outset posed a constant threat to economic development in the high-priority industrial sector. This explains why China's economic planners have watched so apprehensively the small percentage but vitally important export portion of farm production. This--they well know--represents the constructive portion they have to worry about, lest a shortage put the brakes on the industrialization drive. To keep the necessary quantities of farm products moving to overseas markets, the regime has enforced an iron-handed rationing system and has regimented and worked the peasants to the limits of human endurance in an effort to keep production up.

This approach fostered impressive industrial growth through 1958. Prior to 1959 agriculture faltered during bad years causing somewhat erratic expansion of industry and trade; but it neither failed nor succeeded. This dependency on agriculture keeps the regime's plans for industrialization on a precarious footing and the authorities walking a narrow ledge. At the present time agriculture shows many signs of collapse. The fact that agriculture is unreliable and subject to annual variations in production has led the leaderships to

try to develop more exports of minerals and manufactured items which have more even production, but much of the manufacturing depends on agricultural raw material.

The second major national aim where the regime is depending on trade to help advance its national purpose is in the political sphere; using trade to pursue diplomatic objectives abroad, particularly among the less developed countries of Asia, Africa, and Latin America. The ultimate aim is to employ trade as one more way to loosen ties with the Free World, establish dependence on the Bloc, and eventually win over the underdeveloped countries into the Communist camp. This objective has not been abandoned despite the present crisis in agriculture.

Characteristically, in the Communist blueprint for economic growth at home and diplomatic successes abroad, the two major uses of trade, economic and political, are tied together. At home China must succeed rapidly to have a good chance of persuading other underdeveloped countries that the fastest path to economic development is to adopt the Communist organization and methods. No national leader of a country would model after a system that failed. In this sense success at home is more important than trade-ties as such, but to work best the two need to go hand-in-hand. Together they may make an effective instrument in attaining diplomatic objectives.

In actual trade, however, China has made agreements, out of political motives, that were expensive in terms of economics. These have taken the form of selling at cut-rate prices, purchasing products not necessarily needed, and shipping out industrial equipment and farm products needed at home. That the regime is willing to pay the price attests to the high importance which the officials attach to political goals.

Trade Policy

On the economic plane the guiding principle of China's import policy is to use foreign exchange only to purchase the means of production (capital goods and supplies that have wealth-producing capacities.) This goal cannot be completely realized; but the percentage of imports falling into the category has ranged between a low of 83 percent and a high of 94.5 percent over the first 9 years of Communist rule (2).¹ This left only the small residual for satisfying the country's enormous needs for essential consumer items. Resolute emphasis on importing mostly producer goods that have the capacity to create new wealth set a pattern for the Chinese market throughout the 1950's different from that in prewar years.

¹Underscored figures in parentheses refer to Selected References, page 43.

During the first decade of economic development the prewar complexion of the Chinese market largely disappeared. The Chinese market in the 1930's, which included large purchases of cereal grains and some light manufactures, was replaced by a market where the demand was primarily for machine tools, heavy construction machinery, alloy steels, transportation equipment, and other items needed for implementing plans for building heavy industry. With minor exceptions, only farm products suitable for use in domestic industry or re-exporting were permissible under the existing rationale by which import policy is established. Food is to be imported only in the face of extreme shortages. Early in 1961 such an emergency developed, and grains had to be imported again. This emergency is expected to continue into 1962 and beyond.

Other members of the Bloc are the politically and ideologically preferred sources for obtaining import requirements for industrial construction. Imports from this source have formed the bed-rock foundation of the industrialization drive, especially the large number of complete plants obtained from the Soviet Union and the East European satellites.² China has moved far toward aligning her imports and in turn her export trade to accord with the Bloc policy of interdependency and self-sufficiency in basic strategic goods. To facilitate this integration policy Chinese railroads are being built to link up with the Soviet Union's transportation lines. Much of the Sino-Bloc trade can be expected to move over these lines. China is increasing her merchant fleet but this is still small, and paying for ocean transportation incurs a sizable drain on scarce foreign exchange.

This policy of turning increasingly to the Bloc for basic import needs, if continued, has several important implications. The Free World becomes primarily a supplier of a residual and a marginal demand. The industrialized countries in Western Europe particularly have been used to fill in spots where the Bloc suppliers were weak or unable to furnish goods fast enough to keep pace with China's ambitious industrialization programs. The demand for Free World industrial equipment has been more marginal and thus more vulnerable to internal changes in the Chinese economy and the planned rate of economic growth. This tendency could be seen in 1958 when the accelerated rate of economic expansion associated with the year of the "great leap forward" brought new orders for Western industrial goods and in 1959 when demand dropped as the rate of industrial growth leveled off and payment problems developed. By contrast, trade with the Soviets, China's basic source of supply, actually increased in 1959, possibly reflecting a stepped-up delivery of Soviet equipment for the major industrial projects. There are indications, however, that the Free World more than regained

² Includes the Soviet European satellites: Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania.

its 1958 percentage of trade in 1960 as trade with the Soviet Union declined sharply.

Another facet of China's preference for intra-Bloc trading in importing is that the Chinese appear to have purposely avoided technological ties with the Free World. Purchasing from the industrialized western countries items that require replacement parts and incur maintenance problems preferably is to be avoided. Thus, Western industrialized countries have supplied, in the main, such items as iron and steel, special items for use in industrial expansion, and commercial fertilizer. There have been exceptions to this, however. Less developed agricultural economies have been the supply sources of Chinese import needs in cotton, raw rubber, wool, sugar and, in the case of Burma, rice. In 1961, food grains were purchased in large quantities--mostly from Canada, Australia, and Burma.

In buying from underdeveloped Free World countries, such as Burma, the Chinese have often stepped into distressed market situations when countries with single-crope economies were having great difficulties finding profitable market outlets. Often Chinese buyers have demonstrated a preference for large purchases of a single important crop and from countries where political objectives may be an important consideration.

The policy of depending too heavily on agriculture is shifting. In 1952, an estimated three-fourths of Chinese exports were farm products. This percentage had declined rather sharply by 1960. The trend can be expected to continue as China moves toward an industrial economy and as the domestic need for farm products increases. The regime will want to export the product of labor by manufacturing raw material into finished goods.

Exports of light manufactures, especially cotton textiles, and such items as flash lights, thermos bottles, nails, steel bars, sewing machines, and bicycles are showing up particularly in less developed areas where low prices are a strong selling point and where quality is not an overriding consideration. China has also supplied some of these areas with textile and other types of manufacturing plants equipped with machinery made in China.

This policy of exporting machinery and steel products which China needs at home is explainable and rational mostly in terms of the regime's bid for prestige and influence in these areas and the desire to impress the recipient countries' leaders with Communist industrial and economic progress.

Implementing Policies

The authorities have shown a preference for government-to-government trade and payment agreements. Bilateral agreements have been signed with all members of the

Communist Bloc and with many Free World countries. But the lack of such agreements has not prevented extensive trading unless the Chinese wanted to make a political issue of the matter as in the case of Japan.

In order to make foreign trade conform to its planned role, trade, like every other part of the economy, has been taken out of the private sector and brought under the control of the State. By putting foreign trade under the control of the national government, centered in the Ministry of Foreign Trade, the State controls not only production but also distribution at home and abroad.

In controlling trade the regime has adopted a system of classified management and licensing of both imports and exports. The system undertakes to control the quality of exports and imports. It also provides for protective tariffs, controls smuggling, and regulates foreign exchange.

The control of supply and trade movements enabled the government to keep goods moving out of China at a fairly even rate through 1960 despite sharp reductions in production and increasing population pressures that push with mounting intensity against limited supplies of food and fiber. It also, in turn, kept industrial equipment and supplies flowing into China without creating any crippling deficits in foreign payments prior to 1961.

State trading also enables the State--if political expediency warrants--to make short-run concessions in setting prices that can ignore the cost of production. Any losses are absorbed by the State. This practice raises difficult competitive problems for private trading concerns in other countries that must make a profit to stay in business.

The functional organizations set up for handling such practical problems as negotiations and the actual conduct of trade are in the form of a number of state trading corporations specializing in particular types of goods and services. These agencies act on behalf of the central authorities and other government organizations that supply exports and are end users of imports, and not on their own account.

This has proved cumbersome in practice. Some Free World traders doing business with China have reported that because of this bureaucracy, trade negotiations are often slow, complex, and tedious. Stalling and indecision while the Chinese trading corporations wait for instructions have caused delays in negotiations. Also, some complaints about the quality of Chinese products have arisen. China's purchases abroad are subject to inspection by the Chinese authorities before final acceptance. There are no reported instances, however, of serious disagreements caused by this procedure. On the whole, the Chinese appear anxious to establish a reputation for reliability and for living up to promises in world trade relationships.

As individuals the Chinese trade representatives are described as capable and well informed on world market conditions, prices, and trends. Where political considerations are

not involved they are also hard bargainers. In many cases, the Chinese negotiators seek to obtain the most favorable terms that competition and other factors will allow. In other instances prices may be lowered to get a foothold, then raised later as competition and other factors permit.

BALANCE OF TRADE AND PAYMENTS

The stated government policy is to reverse the country's prewar deficit position in foreign accounts and to follow a trade policy that seeks an overall balance of trade, avoiding either a deficit or a large surplus. There is no reason to suspect that this policy has not been seriously adhered to so far as circumstances would permit. China has at various times hinted that a large market existed in China for foreign goods. Always, there is the question of how China could pay. This question has come to the forefront recently in the light of reduced farm sales on the one hand and large imports of farm products on the other.

Indications are that in her trade account with the Soviet Union China had an adverse balance in the first half of the 1950's. Since 1955, China has had a sizable surplus with the Soviet Union. Only the 1955-59 statistics are available for the European satellite trade; these show China with an unfavorable balance with these countries. This adverse account, however, may have been offset by the favorable balance with the Soviet Union. This part of the intra-Bloc trade is expressed in Russian rubles suggesting the possibility of a Bloc clearing arrangement.

Since 1950 and until the recent crisis the Free World has consistently imported more from China than it exported to China with the exception of 1958. The surpluses have been modest, however, and in some years have been more than offset by freight and other shipping cost incurred by China using foreign shipping. China has had to fall back on non-commercial sources or invisibles to meet foreign obligations. The major source of these funds is the remittances sent in by overseas Chinese. These are believed to have declined in recent years and are currently running around \$60 million annually. Such sources have probably enabled the Chinese to maintain a workable balance until recent years, possibly through 1959.

In the current period of crisis the regime has attempted to meet the situation by reducing imports of industrial products and keeping exports up. Beginning in 1961 heavy purchases of grains had to be made. These could only be partly paid for and for the first time in a decade China had to purchase from the Free World on credit with payments running up to 9 months. Possibly longer-term loans may be requested for future purchases of food grains and other products.

Unless other members of the Bloc have made funds available, it is reasonable to conclude that paying for expanded

imports--including the cost of foreign shipping and other commercial services, servicing loans, extending foreign aid, and the cost of maintaining diplomatic missions abroad--has depleted China's foreign exchange reserves. Recent sales of gold and silver tend to bear this out.

In 1959, the Chinese did obtain from the Soviet Union the promise of a new credit valued at \$1.25 billion. This apparently has not been fully used. In the face of the greatest difficulties it still appears to be the policy to make a conscientious effort to balance trade and redress imbalances by reduced buying. No reports or requests for long-term credit from western sources had been reported prior to 1961, although extensions of payment schedules had been requested before. Payment difficulties can be expected to increase China's insistence on link-barter agreements where purchases are made on condition that an equivalent purchase of Chinese products be made. Industrialized countries seeking markets and eager to sell are susceptible to the argument that they must be willing to buy Chinese goods if they hope to sell their own products in the Chinese market.

FOREIGN AID

Aid Extended

China both gives and receives foreign assistance. The most surprising thing about foreign aid given (table 1) is that the regime would undertake such activities at all during the early stages of the country's own economic development. This is rational only in a political context. In terms of total aid and technical assistance, China's contribution is not large compared to that of the United States. Much of it, though not all, consists of cheap Chinese goods and technical services; but it is strategically used and represents a heavy outlay relative to China's capabilities. Such programs inevitably put additional strains on the country's abilities to meet foreign obligations.

It will also be noted that China stepped up her foreign aid in 1960, reaching into distant areas of Africa and Latin America far from Chinese shores. Cuba is a case in point. The financial aid programs have been accompanied by Chinese technicians, also in short supply at home, and a propaganda program intended to gain maximum impact.

Stepping up such programs in 1960 is all the more interesting because the regime is definitely in a deepening economic crisis on the home front. Despite the difficulties, however, the state felt compelled to make additional commitments. And early in 1961 the authorities were continuing to extend the aid programs. For example, on January 9 an \$84 million Economic and Technical Cooperation Agreement was signed with neighboring Burma.

TABLE 1.--Foreign aid commitments of Communist China, 1953-60

Countries	1953	1954	1955	1956	1957	1958	1959	1960	Total 1953-60	Percentage of total foreign aid
Communist Bloc:	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Percent
North Korea.....	276.9	--	--	--	--	52.5	--	105.0	434.4	36.1
North Vietnam....	--	--	205.1	--	--	--	102.6	--	307.7	25.6
Mongolia.....	--	--	--	40.0	--	25.0	--	50.0	115.0	9.5
Hungary.....	--	--	--	7.5	50.0	--	--	--	57.5	4.8
Albania.....	--	15.0	--	--	--	--	13.7	--	28.7	2.4
Subtotal.....	276.9	15.0	205.1	47.5	50.0	77.5	116.3	155.0	943.3	78.4
Free World:										
Cuba.....	--	--	--	--	--	--	--	60.0	60.0	5.0
Indonesia.....	--	--	--	15.0	--	11.2	30.0	--	56.2	4.7
Cambodia.....	--	--	--	22.4	--	--	--	11.2	33.6	2.8
Nepal.....	--	--	--	12.6	--	--	--	20.0	32.6	2.7
Ceylon.....	--	--	--	--	15.9	10.6	--	--	26.5	2.2
Guinea.....	--	--	--	--	--	--	--	25.0	25.0	2.1
Yemen.....	--	--	--	--	--	16.3	--	--	16.3	1.4
Egypt.....	--	--	--	4.7	--	--	--	--	4.7	.4
Burma.....	--	--	--	--	--	4.2	--	--	4.2	.3
Subtotal.....	--	--	--	54.7	15.9	42.3	30.0	116.2	259.1	21.6
Total.....	276.9	15.0	205.1	102.2	65.9	119.8	146.3	271.2	1,202.4	100.0

See Garratt (5) for nature of aid and conversion ratios used. New aid to Cambodia of \$11.2 million has been added into the table.

Aid Received

China has received important economic assistance from the Soviet Union and to a lesser extent from some of the more advanced Soviet European satellites, but the exact amounts are not known. The Soviet Union has, of course, been the major contributor. However, in view of the fact that the Soviet Union has made quite an active issue of foreign aid to the less developed Free World countries, it is interesting to note that Sino-Soviet economic aid and trade relationships stand out not because of how much economic aid the Soviets have given to China without compensation, but how little. The terms of the several agreements between the two countries are not entirely clear, but China appears to be paying or is obligated to pay for most of the industrial goods and services being received. The Soviet's big contribution has been technology and "know how." So far as is known though, grants and gifts in the true sense of the word have been sparingly doled out. Essentially China is faced with the problem of lifting herself out of economic backwardness with her own resources. This she is attempting to do and succeeded for a time by heavy shipments of Chinese goods to the Soviet Union and the Free World. In the current period of increased economic stress the Soviets have agreed to forego payments, enabling China to reduce food shipments to the Soviet Union. This is a small concession, however, because China could not make deliveries anyway.

This is not to say, however, that Soviet aid has not been of great help to China in promoting industrial growth. The Soviets have furnished free blueprints and related technical material giving instructions on how to lay out, construct, and operate modern industry. Many Soviet engineers have been sent to China to assist and to make available Soviet experience in industrialization. Most of these have reportedly been withdrawn, reflecting the growing strains in the Sino-Soviet relationships. Also, Chinese have been trained in the Soviet Union. This type of aid and technical assistance has undoubtedly made a large contribution to the Chinese effort.

TOTAL TRADE WITH ALL COUNTRIES

With World War II ended and order restored, it was to be expected that an expanding domestic Chinese economy would extend increasingly into world markets with both greater imports and exports. Official Chinese statistics bear this out and show that total exports and imports in 1958, the last year for which Chinese source data are available, were 210 percent larger than in 1950 (2). Chinese source material is completely lacking in definitive details sufficient to shed much light on the way trade figures and percentages are arrived at or what the trade totals include.

The customs reports of China's trading partners indicate that China's total trade has increased rapidly, rising from \$1.2 billion in 1950 to more than \$4 billion in 1959. In 1960 and 1961 total trade appears to have declined, particularly the portion of China's trade with the Communist Bloc.

The distribution of trade in 1959 is shown in table 2. It will be noted that about two-thirds of the reported total was with the Bloc in that year. This reverses the 1952 ratio. Before 1952 the trade had been even further oriented toward the Free World. The highest percentage that the Bloc has obtained in the last decade was about 74 percent in 1955. Since that time Free World trade has moved up and accounted for about one-third on the average.

China has stated officially that by 1959 trade relations had been established with 93 countries and regions and that governmental trade agreements had been signed with 27 of them. Trade with the Soviet Union and other members of the Bloc in 1959 is officially said to be more than six times as much as in 1950 (11).

More than 90 percent of all goods imported in 1958 are officially described as means of production necessary for state construction. Exports consist primarily of agricultural products, but the composition is changing noticeably as industrial expansion takes place. Industrial and mining products are said to have accounted for only 9.3 percent of total exports in 1950 and to have increased to 27.5 percent in 1958 (2). Information from trading partners bears out the foregoing statements. Though the exact percentages cannot be precisely tested, farm products are definitely declining as a percentage of total exports while industrial and mining products are increasing.

TABLE 2.--Foreign trade of Communist China, as reported by trading partners, 1959

Area	Total exports	Total imports	Total trade	Percentage of total
	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Percent</u>
Communist Bloc:				
Soviet Union.....	1,100.0	954.6	2,054.6	50.3
European satellites..	347.2	325.7	672.9	16.4
Asian satellites ¹	--	--	--	--
Total Bloc.....	1,447.2	1,280.3	2,727.5	66.7
Free World.....	692.9	670.1	1,363.0	33.3
Total trade.....	2,140.1	1,950.4	² 4,090.5	100.0

¹ Not available.

² Trade shown is believed to account for about 96 percent of the total.

Bloc Trade

The Soviet Union is easily China's leading trading partner, accounting for about half of the total, and Sino-Soviet trade was increasing prior to 1960 (table 3).

TABLE 3.--Trade between Soviet Union and Communist China, 1955-60¹

[Millions of U.S. dollars²]

Year	Exports to the Soviet Union	Imports from the Soviet Union	Total trade	+ Surplus - Deficit
1955.....	643.5	748.4	1,392	-104.9
1956.....	764.2	733.0	1,497	+ 31.2
1957.....	738.1	544.1	1,282	+194.0
1958.....	881.3	634.0	1,515	+247.3
1959.....	1,100.0	954.6	2,054	+145.4
1960.....	847.3	816.3	1,664	+ 31.0

¹ Soviet trade statistics are f.o.b. shipping points and do not include shipping cost in either imports or exports.

² For 1955-59, rubles converted to U.S. dollars at the old official rate of 4 rubles to \$1.00. For 1960, rubles converted at the new official rate of 1 ruble to \$1.11 U.S.

S

Soviet trade statistics.

The economic basis of this Sino-Soviet exchange has been that the Soviet Union during the first 5-Year Plan (1953-57) undertook to supply China technical aid and industrial equipment required for 166 major projects.

In 1958 and 1959, China reportedly signed additional agreements with the Soviet Union which provided for further Soviet aid in building or expanding another 125 enterprises (11). It is not clear whether the 125 are new, making the total 291, or include some of the previously listed 166. In either case, the Soviets and other members of the Bloc are providing the bulk of the materials, equipment, and technical assistance in China's national construction. Work is going forward in building advanced industries in many production areas.

China switched during 1956-60 from a deficit to a substantial surplus position in the merchandise account with the Soviet Union. The surpluses were probably used to service loans, pay for services, or meet foreign aid and other commitments or deficits within the Bloc.

Until recently trade data for the East European satellites have been largely unavailable. The details for breaking down the trade to show agricultural products still are lacking for some countries. Total trade by countries is, however, now available and nearly complete except for Albania (table 4).

TABLE 4.--Trade between East European satellites and Communist China, 1955-60¹

[Millión U.S. dollars]

Year	Exports to the East European satellites	Imports from the East European satellites	Total trade	+Surplus -Deficit
1955.....	162.7	173.3	336.0	-10.6
1956.....	231.6	262.9	494.5	-31.3
1957.....	225.1	264.2	489.3	-39.1
1958.....	288.6	409.4	698.0	-120.8
1959.....	347.2	325.7	672.9	+21.5
1960 ²	--	--	--	--

¹ Data are not available for some countries in some years.

² Not available.

Economist Intelligence Unit, (4).

A breakdown of the East European satellite trade by countries shows East Germany and Czechoslovakia as being China's leading trading partners in this group (table 5). Bulgaria is least important.

In the main the composition of China's trade with the East European countries has been much the same as trade with the Soviet Union. China has obtained from the satellites complete sets of industrial equipment with technical aid and has paid for these with foodstuffs, minerals, and other Chinese products. However, unlike trade with the Soviet Union, the Chinese merchandising account with the reporting Satellite areas indicates a deficit for each year before 1959.

Although no data are available for Albania, China is known to be actively involved in Albanian trade and other affairs. Gifts and credits valued at \$28.7 million have been extended. Also in 1961 China purchased 40,000 tons of Australian wheat reportedly for shipment to Albania.

Recent political strains between the Soviet Union and both Communist China and Albania could lead to increased trade and aid between the latter two countries.

The level of trade with the Asian Communist countries is unknown. But it seems certain that China has had to export heavily to help North Korea and North Vietnam reconstruct following the end of hostilities. Chinese authorities have shown a keen interest in those bordering Communist areas, including Mongolia, and have played the role of a donor nation. Already commitments of some \$857 million worth of foreign aid have been made to these countries. This accounts for over 71 percent of China's total foreign aid commitments, 1953-60 (5).

TABLE 5.--Trade between specified East European satellites and Communist China, 1955-59
[Million U.S. dollars]

Country	Exports to the East European satellites					Imports from the East European satellites				
	1955	1956	1957	1958	1959	1955	1956	1957	1958	1959
East Germany.....	94.2	85.9	88.6	103.8	111.8	97.4	94.9	105.8	133.3	106.5
Czechoslovakia.....	(¹)	66.4	67.0	91.0	95.6	(¹)	64.7	80.0	109.2	100.6
Hungary.....	29.0	27.9	27.7	33.9	43.8	36.5	30.9	29.7	57.8	40.0
Poland.....	35.2	35.2	37.2	36.2	55.5	34.8	50.3	44.7	72.2	42.9
Bulgaria.....	4.3	5.2	4.6	7.1	10.6	4.6	5.1	4.0	11.0	6.3
Rumania.....	(¹)	11.0	(¹)	16.6	29.9	(¹)	17.0	(¹)	25.9	29.4
Total.....	162.7	231.6	225.1	288.6	347.2	173.3	262.9	264.2	409.4	325.7

¹ Economist Intelligence Unit (⁴) and official trade statistics.

Free World Trade

China has vigorously and successfully pushed a campaign to establish the framework for trade throughout the Free World. This has led to a rising volume of trade since 1952 (table 6).

TABLE 6.--Trade between the Free World and Communist China, 1950-60
[Millions of U.S. dollars]

Year	Exports to the Free World ¹	Imports from the Free World ²	Total trade	+Surplus -Deficit
1950.....	534.7	452.1	986.8	+82.6
1951.....	524.7	446.2	970.9	+78.5
1952.....	367.9	272.5	640.4	+95.4
1953.....	432.7	287.4	720.1	+145.3
1954.....	379.7	294.2	673.9	+85.5
1955.....	487.1	317.3	804.4	+169.8
1956.....	641.4	434.2	1,075.6	+207.2
1957.....	624.0	527.8	1,151.8	+96.2
1958.....	755.8	770.9	1,526.7	-15.1
1959.....	692.9	670.1	1,368.0	+22.8
1960.....	760.4	686.1	1,446.5	+74.3

¹ Imports from China are valued c.i.f. by all countries except Australia, Canada, Republic of South Africa, and Venezuela, which value imports f.o.b.

² Free World exports to China are valued f.o.b. port of shipment by all countries except Canada and the Republic of South Africa, which value exports f.o.b. inland point of shipment.

U.S. Department of State (10) and Country-by-Commodity series (9).

The decline in Sino-Free World trade in the early 1950's followed the imposition of trade controls growing out of Chinese aggression in Korea. The controls, however, are believed to have only hastened China's turning away from the Free World and are not believed to have been the basic cause.

A more detailed look at Sino-Free World trade shows that 85 to 90 percent in 1956-60 was with the countries listed in table 7. These compilations show also the pattern of China's trade balances, that is, the areas and countries where China normally has a surplus and countries where deficits normally are incurred in the trade account.

In general, China's mounting need for industrial equipment has promoted trade with countries capable of supplying capital goods and chemicals. Except for Japan in the Far East, the non-Communist countries possessing such capabilities and willing to trade with China are located primarily in Western Europe. China is running a large deficit in trading

TABLE 7.--Communist China's balance of trade, surpluses and deficits, selected Free World countries, 1956-60
[Millions of dollars]

Free World countries	Exports to China					Imports from China				
	1956	1957	1958	1959	1960	1956	1957	1958	1959	1960
Surplus areas										
Hong Kong.....	23.8	21.6	27.3	20.0	21.0	181.7	197.9	244.5	181.0	207.5
Malaya and Singapore..	7.8	24.2	38.0	39.7	28.4	43.1	52.2	63.9	51.1	57.1
Japan.....	67.3	60.5	50.6	3.6	2.7	83.7	80.5	54.4	18.9	20.7
Morocco.....	--	--	3.1	6.5	6.6	19.8	12.6	16.0	8.0	7.1
Indonesia.....	11.7	26.3	43.4	53.1	35.4	29.6	27.0	41.8	61.2	57.0
Netherlands.....	6.0	5.5	11.9	11.2	6.9	11.4	9.8	17.1	22.1	21.4
Burma.....	14.4	10.2	3.0	.4	6.8	15.8	12.5	16.6	16.4	24.7
Total.....	131.0	148.3	177.3	134.5	107.8	385.1	392.5	454.3	358.7	395.5
Deficit areas										
West Germany.....	37.1	47.6	162.3	128.7	95.4	53.2	41.2	58.5	66.3	69.4
Belgium and Luxembourg	21.4	22.2	52.1	33.5	44.5	5.0	4.0	6.1	8.7	9.9
Egypt (UAR).....	24.2	42.1	34.9	33.8	44.5	11.1	20.6	25.1	23.7	19.5
Switzerland.....	35.3	43.4	31.5	35.0	8.1	19.1	12.5	11.0	11.6	8.8
France.....	22.8	20.5	44.4	39.8	52.8	14.8	14.0	11.4	16.2	22.7
Australia.....	10.1	20.5	27.2	30.1	23.5	4.5	5.7	8.1	8.3	10.3
Italy.....	10.4	15.0	32.7	36.4	39.7	11.4	7.0	13.7	13.3	24.1
Sweden.....	6.1	27.0	17.6	14.4	13.3	2.6	3.1	3.8	5.4	5.9
Austria.....	7.4	7.8	14.3	14.4	12.9	2.1	2.3	2.5	3.2	5.8
United Kingdom.....	30.2	34.1	76.3	69.4	89.8	35.2	39.8	51.9	55.2	69.7
Ceylon.....	38.3	35.2	16.3	16.4	25.3	30.2	17.6	31.9	31.5	27.8
Total.....	243.3	315.4	509.6	451.9	449.8	189.2	167.8	224.0	243.4	273.9

Country - by - Commodity Series (9)

with Western European nations. This leads to an annual trade deficit which has to be offset by surpluses in trade accounts with other countries or out of reserves. In recent years, purchases have been running well ahead of sales to West Germany, Belgium, Switzerland, France, Italy, Sweden, and Austria, reflecting heavy purchases of industrial supplies, especially in 1958. An effort to restore a better balance was noticeable in 1959 and 1960.

Since the Bandung Conference in 1955, China has shown an increasing interest in expanding trade with the underdeveloped countries in Asia, Africa, and Latin America. Progress in expanding the framework for future trade has been made, but no spectacular gains in actual trade have yet been achieved. About four-fifths of this type of trade is with nearby countries in the Far East where geography and historical trade ties have been most favorable. Like China, most of these countries produce primary goods, largely farm products, and China can use only limited quantities of such items as raw rubber, cotton, wool, jute, and sugar. On the supply side, China at the present stage of industrialization is ill equipped to supply these areas with major industrial goods, but her capability is increasing. Despite the present unfavorable economic situation, China's growing role in the underdeveloped areas is important and has many broad implications for the future.

The underdeveloped areas in the Far East plus Hong Kong and Japan provide China with a surplus in trade accounts payable in convertible currencies which help offset deficits in trade with such Free World areas as Western Europe, Oceania, and Canada. This is important: Hong Kong has been especially useful to China in this respect. The Crown Colony has provided large balances in convertible currency every year. Trade with Malaya and Singapore, Morocco, and Japan has also served a useful purpose in this respect. Sharp declines in exports to these markets in 1959 about equalled the drop in China's exports to the Free World in that year. Reduced earnings caused payment difficulties which are believed to have been instrumental in causing China to reduce purchases in Western Europe in 1959.

The long-run economic and political implications for the underdeveloped countries are more profound. These newly emerging nations fit conveniently into China's future plans for becoming a great industrial power with far-reaching political and economic influence. An industrializing China with cheap labor and an indigenous supply of raw materials can furnish these potential market areas with manufactures in increasing amounts at low prices and of acceptable quality to meet the local demands. At the same time an industrializing China can handle increasing quantities of certain raw materials that these areas have for sale. These are economic possibilities. They fit long-term Chinese economic development goals and political ambitions. Actually, the explanation of China's efforts to trade with these underdeveloped

countries is complete only when the political objectives are included. Purchases have often been in the form of large orders of a single but highly important product and from countries with marketing problems and slow sales. In this way the transaction is calculated to provide the greatest impact and possible leverage in shaping the recipient country's political attitudes in world affairs.

AGRICULTURAL IMPORTS

Before the outbreak of World War II, China was an important market for farm products. Large quantities of rice, wheat, and sugar were imported. Much of these were consumed by the heavily populated coastal cities. This type of import--that is, foodstuffs--does not fit into the present regime's preferred policy of importing only the means of production. Foreign exchange is not to be used to import consumer goods except in extreme circumstances. The following tabulation illustrates this change by contrasting the principal agricultural imports in the period before World War II with those in a post-war period (table 8).

TABLE 8.--Principal agricultural imports of Communist China, averages 1933-37 and 1955-59

Products	1933-37	1955-59
	<u>1,000 metric tons</u>	<u>1,000 metric tons</u>
Rice.....	804	(¹)
Wheat and flour ²	549	--
Sugar.....	246	98.0
Raw cotton.....	70	61.4
Wool.....	4	³ 26.0
Tobacco.....	21	⁴ 12.4
Crude rubber ⁵	--	110.0
Jute ⁵	--	16.0

¹ Negligible.

² Flour converted to a wheat basis.

³ Based on actual and estimated figures converted to a grease wool basis.

⁴ Three-year average.

⁵ No imports shown in source of data for prewar period

Shen, T. H. (6) and Country-by-Commodity Series (9).

These figures show the fundamental change that has taken place in the composition of Chinese farm imports. For the most part China is bringing in rubber, long-staple cotton, wool, jute, and some minor farm products primarily for

industrial uses. Items imported are not always for domestic consumption, however. Part of these are re-exported in the raw state or manufactured and exported as finished products. The non-Communist countries, particularly the underdeveloped areas in nearby Asia and such African-Middle East countries as the United Arab Republic, are the major sources of Chinese farm imports.

In 1961, however, the Chinese authorities were forced to relax their policy of not spending foreign exchange for foodstuffs and to bring in grains, reminiscent of the prewar Chinese importing. This will make China a net importer of grain for the year. It remains to be seen whether China will again have to become a steady importer of food grains.

Small quantities of sugar come into China from Poland and Hungary and a few miscellaneous farm items come from Bulgaria. But China's known farm imports from the Bloc are nominal, averaging less than an estimated \$5 million per year in 1957-59. The Free World is the main source of farm imports.

Like China, other Bloc countries, despite the agricultural nature of their economies, face serious farm problems and have a difficult time trying to meet their own requirements. Significantly, although Soviet Russia has the largest wheat producing area in the world, China in times of severe shortages has had to turn to Australia and Canada to buy wheat. This points up the fact that the Bloc, with farming organized and run according to Communist methods, is having great difficulty developing self-sufficiency in agriculture. Also, they are not situated geographically to produce some tropical crops such as raw rubber that China needs.

AGRICULTURAL EXPORTS BY DESTINATION

The foregoing has been concerned with policies, trade practices, and the commercial and political framework in which foreign trade in Chinese farm products takes place. In actual trade in farm commodities a few general factors stand out as underlying considerations affecting China's ability to export. The country has a highly diversified agriculture and engages to some extent in practically every known farming enterprise. Diversified production shows up in the wide list of farm products being exported.

In 1958, the Foreign Agricultural Service estimated the value of Chinese agricultural production at \$26 billion, only slightly less than that of the United States. China's proportion of the world total was 15.6 percent, compared to 15.7 percent for the United States. From this amount, however, China must feed and clothe 22.8 percent of the world's population, the United States only 6.1 percent. These figures point up the meager supply of farm products China is drawing on for exports.

Exports to the Bloc

The Soviet Union is by far China's leading foreign market for farm products. Shipments to the Soviets amounted to \$389.2 million in 1958 and \$450.6 million in 1959 (7). The amount dropped sharply in 1960, however, to only \$209.9 million. Total sales of farm products to all Free World countries amounted to \$448.6 million in 1958, declined to \$403.0 million in 1959, and dropped again in 1960 to only \$387.5 million. In a normal crop year should China sell in Free World markets a large part of the farm products going to the Soviets and other members of the Bloc, some U.S. products such as soybeans would find greatly intensified competition. The composition by value of leading Chinese farm exports to the Soviets is shown in table 9.

TABLE 9.--Principal agricultural exports from Communist China to the Soviet Union, 1955-60

[Millions of dollars]

Commodity	1955	1956	1957	1958 ¹	1959 ¹	1960
Soybeans.....	47.5	53.6	55.5	50.1	67.4	35.6
Oil cake.....	1.0	1.0	1.0	--	--	--
Peanuts.....	39.2	35.8	18.9	7.8	7.1	4.2
Oilseeds, other.....	11.8	10.3	5.4	4.0	4.5	2.9
Raw material of animal origin.....	17.2	14.6	11.0	14.6	16.4	10.1
Rice.....	41.2	64.3	25.4	60.8	82.6	55.1
Wheat and wheat flour.	5.5	6.6	2.9	--	4.5	3.7
Millet.....	1.0	1.0	.9	--	--	--
Live animals and meat.	70.4	66.0	36.2	69.0	44.8	4.0
Eggs.....	4.6	2.7	4.0	13.7	4.8	.5
Tea.....	10.6	12.5	12.2	15.6	19.4	13.0
Tobacco.....	22.0	30.0	41.0	31.4	29.7	12.4
Tung oil.....	4.3	7.0	6.9	7.9	8.9	4.3
Fruits and vegetables.	15.0	20.3	27.1	32.7	31.2	18.2
Vegetable oils.....	29.6	25.7	13.2	21.1	21.0	9.3
Hides and skins.....	3.5	9.1	7.9	7.1	4.8	1.3
Hemp and jute.....	7.3	7.2	1.0	--	--	--
Ramie.....	7.1	6.4	2.9	--	--	--
Wool.....	23.6	21.4	23.9	21.2	21.9	19.3
Raw silk.....	21.7	23.5	21.3	16.3	17.4	12.0
Cotton.....	--	--	--	--	52.3	--
Total, above agricultural products.....	384.1	419.0	318.6	373.3	438.7	205.9
Total all commodities.....	643.5	764.2	738.1	881.3	1,100.0	847.3

¹ Selected products shown constituted more than 95 percent of total agricultural exports in both 1958 and 1959.

Soviet statistics. Rubles converted to U.S. dollars at the old official rate of 4 rubles to \$1.00 for 1955-59. For 1960, rubles converted at the new official rate of 1 ruble to \$1.11.

China is the major source of the Soviet Union's agricultural imports. Meat and fruits and vegetables shipped to the Soviets are impressively large for a country such as China with such a limited supply of animal proteins and other health protective foods for her own people. Raw cotton reappeared in China's export trade in 1959 with the first sizable shipment to the USSR since World War II. Also there has been a sharp upturn in cotton textiles going to the Soviets.

China's exports to the East European satellite countries are partly obscured. But China, as has been shown, is carrying on a sizable amount of total trade with these areas, and a high percentage of the Chinese goods is known to be farm products such as soybeans, rice, and tung oil. Available data and trade agreements that have been published make this clear. Published agreements mention farm products as the major items that China has for export.

The same can be said of the Asian Communist countries. However, it seems likely that the Chinese exports to these neighboring areas consist of a higher percentage of industrial supplies and equipment. Chinese sources have indicated that this is true, but right after the end of the Korean War and after the partition of Vietnam, China probably supplied considerable food also to these areas.

Exports to the Free World

The United States is most concerned about Chinese farm commodities sold in the markets of non-Communist countries in competition with U.S.-grown products. Data show that for the period under review sales of Chinese farm products have increased. Value of farm commodities exported to Free World markets and the percentage that farm commodities are of total exports are shown in table 10. The major Free World markets for China's farm products are listed in table 11. It should be noted also that the category "other commodities" includes such items as cotton textiles and other manufactures made from agricultural raw materials, further underscoring the great importance of farm production as a means by which China meets international payments.

Free World countries provide highly important outlets for Chinese farm products, especially rice and other grains, livestock and livestock products, tea, eggs and poultry, and fruits and vegetables.

AGRICULTURAL EXPORTS, COMMODITY-BY-COUNTRY

China's major agricultural exports in 1959 are divided into eight leading types of commodities. The order of importance in terms of value ranges from oilseeds and oils to raw silk. Where feasible, selected products that can be

TABLE 10.--Principal agricultural exports from Communist China to Free World countries, 1955-60

Item	1955	1956	1957	1958	1959	1960
	<u>Million dollars</u>	<u>Million dollars</u>	<u>Million dollars</u>	<u>Million dollars</u>	<u>Million dollars</u>	<u>Million dollars</u>
Live animals and meat.....	39.2	38.3	40.3	57.8	42.5	44.4
Eggs.....	26.7	30.1	31.5	38.2	18.4	15.4
Rice.....	40.8	57.5	29.3	82.1	82.0	59.2
Fruits and vegetables.....	44.3	44.7	55.8	59.1	52.7	51.4
Tea.....	25.9	24.0	23.6	29.4	21.8	22.0
Hides, skins, and fur skins.....	5.0	9.8	10.3	9.0	6.8	5.9
Soybeans.....	42.0	38.0	33.4	30.0	49.5	59.5
Other oilseeds....	26.1	32.3	18.9	14.9	9.1	11.0
Silk.....	11.1	13.6	12.4	10.7	11.0	9.7
Wool and other animal hair....	13.7	19.6	16.7	10.3	16.6	10.8
Bristles.....	14.8	8.4	7.7	9.6	13.1	23.0
Feathers.....	8.1	5.6	7.4	10.4	7.7	6.8
Other animal and vegetable crude matter.....	26.6	29.3	29.9	29.3	21.1	13.2
Fats and oils....	16.5	31.8	25.2	23.6	17.1	15.5
Other agricultural.....	17.3	24.4	23.9	34.2	31.6	39.7
Total agricultural exports	358.1	407.4	366.3	448.6	403.0	387.5
Other commodities	129.0	234.0	257.7	307.2	289.9	372.9
Total all commodities.....	487.1	641.4	624.0	755.8	692.9	760.4
Agricultural exports as a percent of total exports.....	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
	73.5	63.5	58.7	59.4	58.2	51.0

Country-by-commodity series (3).

more meaningfully shown by quantities are listed and presented by importing countries. Leading products such as soybeans and rice have been more completely covered. Some of the minor products are combined to conserve space. A summary of exports by quantity for the 1955-60 period is shown in table 12.

Vegetable Oils and Oilseeds

Vegetable oils and oilseeds have traditionally played a major part in China's agricultural production and export trade. In 1959, as a group, these items ranked first in China's farm export commodities.

TABLE 11.--Principal agricultural exports from Communist China to major Free World markets, 1960
[Millions of dollars]

Item	Japan	Hong Kong	Malaya Singapore	Ceylon	United Kingdom	Netherlands	France	West Germany	Italy	Morocco	Egypt	Indonesia	Total, selected countries
Live animals and meat.....	0.1	35.0	1.0	--	0.8	0.6	--	3.6	0.2	--	1.0	--	42.3
Dairy products and honey.....	--	.1	--	--	.1	--	--	.5	--	--	--	--	.7
Eggs.....	--	7.5	1.5	--	2.0	--	--	2.0	.8	--	--	--	13.8
Rice.....	--	9.1	4.2	23.2	.8	1.2	--	1.4	--	--	--	11.7	51.6
Other cereals and preparations.	--	.9	.4	--	2.6	1.7	.2	.1	--	--	--	--	5.9
Fruits and vegetables.....	5.4	21.9	8.9	.1	1.4	1.3	.3	2.3	.5	--	.8	--	42.9
Sugar and preparations.....	--	1.5	.4	--	--	--	--	--	--	--	--	--	1.9
Tea.....	--	2.8	1.1	--	3.2	--	.2	.1	--	6.1	3.9	--	17.4
Other food.....	.9	3.0	2.3	.4	.1	.1	.3	--	--	--	.1	--	7.2
Beverages and tobacco.....	--	1.2	.3	--	--	--	--	.1	--	--	1.1	--	2.7
Hides and skins.....	.3	.1	.1	--	.8	--	.2	2.0	1.0	--	--	--	4.4
Soybeans.....	--	1.2	1.9	--	8.9	2.5	1.4	17.7	10.1	--	--	--	43.7
Other oilseeds.....	.4	1.1	.1	--	--	1.3	2.2	.9	2.4	--	--	--	8.4
Silk.....	.2	.8	--	--	.5	--	2.9	.3	2.8	--	.1	--	7.6
Wool and other animal hair.....	3.4	.3	--	--	4.1	.1	1.2	1.6	.7	--	--	--	11.4
Other textile fibers and waste.	.9	--	--	--	3.7	.2	.7	.6	--	--	--	--	6.1
Bristles.....	.6	.1	--	--	14.4	.9	1.6	1.0	.2	--	--	--	18.8
Feathers.....	.2	.3	--	--	.1	--	--	1.7	--	--	--	--	2.3
Other animal and vegetable crude matter.....	1.6	15.2	5.2	--	1.1	.2	1.8	1.1	.3	--	.4	.1	27.0
Fats and oils.....	.5	3.7	.9	--	2.9	1.6	.9	3.5	1.6	--	.1	.1	15.8
Total agricultural.....	14.5	105.8	28.2	23.7	47.5	11.7	13.9	40.5	20.6	6.1	7.5	11.9	331.9
Other commodities.....	6.2	101.7	28.9	4.1	22.2	9.7	8.8	7.2	3.5	1.0	12.0	45.1	250.4
Total all commodities.....	20.7	207.5	57.1	27.8	69.7	21.4	22.7	47.7	24.1	7.1	19.5	57.0	582.3

Country-by-Commodity Series (9)

TABLE 12.--Export summary: Communist China's principal agricultural exports, 1955-60

Product	Unit	1955	1956	1957	1958	1959	1960
Soybeans.....	1,000 metric tons	950.1	970.4	972.1	944.0	1,279.9	1,011.6
Peanuts.....	1,000 metric tons	346.9	376.0	250.5	92.3	63.0	24.7
Other oilseeds ¹	1,000 metric tons	--	65.1	35.1	38.5	29.9	--
Tung oil.....	1,000 metric tons	35.1	45.2	46.1	47.9	37.8	31.0
Other vegetable oils ²	1,000 metric tons	--	110.5	71.0	110.6	71.9	--
Rice.....	1,000 metric tons	640.8	1,042.4	492.3	1,258.1	1,601.7	1,034.1
Fresh fruit ³	1,000 metric tons	104.7	126.1	163.0	213.3	175.0	N.A.
Tea.....	Million pounds	76.7	82.6	97.8	111.0	100.7	80.1
Tobacco.....	Million pounds	70.6	99.1	120.4	111.2	90.3	41.6

¹ Sunflower seed, rapeseed, sesame seed, castor beans, cottonseed.² Peanut oil, soybean oil, cottonseed oil, rapeseed oil, and castor oil.³ Apples, oranges, bananas, and grapes.

Except for cottonseed and cottonseed oil (byproducts of cotton grown primarily for fiber) vegetable oilseed production has been one of the most serious disappointments to the Chinese Communist. Production not only has failed to reach targets but has failed to regain prewar levels. Exports, reflecting production difficulties and increasing needs at home, have lagged far behind the levels achieved in the 1930's.

Soybeans

Sino-U.S. competition is sharper for soybeans than for any other product. The soybean is indigenous to China and, as a highly nutritive food, is used in the diet of nearly nine-tenths of the Chinese population.

Important as soybeans are to the Chinese diet and food supply, they have historically played a leading role in China's foreign trade. Before World War II China produced about 77 percent of the world soybean crop and practically dominated world production and the export market for soybeans. The United States in the same period produced only a little over 12 percent of the world crop. Together the two countries produced nearly 90 percent of the total crop. By 1959 world production had more than doubled with the United States accounting for most of the increase. This put the United States far ahead of China as the world's leading soybean producer and exporter.

Unofficial estimates show that Chinese production declined slightly in the postwar period. In 1959, China produced only 36 percent of the world total while the U.S. produced 56 percent of the more than 26 million metric tons grown. All other countries combined accounted for less than 10 percent of the world soybean crop. These figures underscore the rapid advances of U.S. soybean production compared to a static situation in Communist China.

China's postwar soybean exports reflect the stalemate in soybean production and growing demand inside China. Before World War II, China exported soybeans at an average rate of 2.8 million metric tons annually (6). In 1955-60 exports had been sharply reduced, averaging less than half the prewar level.

The importing countries and reported quantities of soybean exports from China in 1955-60 are shown in table 13. These are not total shipments, but only those reported by importing countries. Unofficial estimates, based on records of shipment through the Suez Canal and other data, suggest that exports of soybeans for the 4-year period 1956-59 may have averaged more than available reported trade data show and may have gone much higher in 1959, reflecting a good 1958 soybean crop and heavy shipments to the Soviet Union and the East European satellite countries. However, exports were not back to prewar levels even in high export years, pointing up the difficulties that China is experiencing in expanding soybean production and foreign sales.

TABLE 13.--Soybeans: Communist China's exports, as recorded in available data of importing countries, 1955-60

[Thousands of metric tons]

Importing country	1955	1956	1957	1958	1959	1960 ¹
Free World:						
Belgium, Luxembourg....	1.9	--	--	--	--	--
Denmark.....	--	17.7	--	45.5	118.5	126.0
Finland.....	15.5	15.6	34.0	21.8	12.9	--
France.....	9.4	10.2	--	11.6	5.0	1.5
West Germany.....	90.9	71.4	12.7	78.7	225.8	212.0
Italy.....	--	1.0	.5	.5	21.4	110.0
Netherlands.....	16.0	30.7	6.2	32.0	39.1	28.1
Norway.....	--	--	--	15.3	5.1	14.2
Sweden.....	6.7	--	5.8	--	--	--
Switzerland.....	--	--	--	.4	--	--
United Kingdom.....	.2	--	--	27.8	67.1	99.7
Yugoslavia.....	--	5.1	11.5	--	21.5	--
Hong Kong.....	20.7	7.1	10.8	12.7	18.9	12.4
Japan.....	203.5	165.8	199.7	89.2	--	--
Malaya and Singapore...	10.7	11.4	13.1	15.0	14.0	18.5
Sarawak.....	--	--	.1	.2	--	--
U.A.R.....	--	--	--	5.0	--	--
Total.....	375.5	336.0	294.4	355.7	549.3	622.4
Soviet Bloc:						
Bulgaria.....	--	--	--	--	3.3	--
Czechoslovakia.....	30.0	30.0	30.0	30.0	40.0	--
Hungary.....	28.0	28.1	28.5	53.3	N.A.	--
Poland.....	33.0	27.8	40.2	26.6	48.4	38.2
Soviet Union.....	483.6	548.5	579.0	478.4	638.9	351.0
Total.....	574.6	634.4	677.7	588.3	730.6	389.2
World total.....	950.1	970.4	972.1	944.0	1,279.9	1,011.6

¹ Data for 1960 are preliminary and less complete.

United Nations (7), Country-by-commodity series (9), Satellite trade statistics, and Soviet trade statistics.

Data for the last 5 years indicate no strong upward trend in Chinese soybean production or exports. Both production and exports have remained fairly constant at or below prewar levels. It is a debatable question how much shortfalls in domestic production in any given year will influence exports of this important exchange earner in the following months. It is possible that in periods of severe food shortages the regime would continue to sell soybeans and import less expensive food products such as wheat.

The Soviet Union, Hungary, Poland, and Czechoslovakia have been the large Bloc outlets for Chinese beans, particularly the Soviet Union. In the Free World, West Germany, Denmark, the Netherlands, and Hong Kong are some of the

major importers. Japan stands out most prominently as a leading former market to which sales have dwindled away since 1958, reflecting the breakdown in trade relations between China and Japan dating back to the spring of that year.

Loss of the Japanese market has made more Chinese beans available for shipment to the Soviet Union and to West Germany, Denmark, and other Free World areas. However, selling beans in these more distant markets with added transportation cost is not as advantageous to the Chinese as the nearby Japanese markets. Also goods--industrial supplies and fertilizers--that the Chinese purchase with proceeds from the sale of beans are more expensive to transport from Europe than from nearby Japan. Then, too, Japan's trade brought in some convertible foreign exchange. Such considerations probably lie back of the recent Chinese appearance of being somewhat more interested in reaching an accommodation with the Japanese on the trade question by not insisting quite so rigidly on political concessions that the Japanese have shown no willingness to grant.

Peanuts

China is the second largest peanut-producing country in the world. After soybeans, peanuts are the second most important oilseed grown on the Mainland. Even more than soybeans, production of peanuts has lagged, remaining below prewar levels. The last 3 crops (1959-61) have been particularly bad. Exports also show a downward trend (table 14).

Other Oilseeds and Oils

Estimates by the Foreign Agricultural Service of other oil seeds grown and exported by Mainland China in selected years are shown in (table 15).

Tung Oil

Before World War II China dominated--in fact, virtually held the whole field--in tung oil production and world markets. Much of the Chinese tung oil was sold to the United States for use in paint mixes. In the last two decades Argentina, the United States, and Paraguay have moved up increasingly as tung oil producing countries. China's production has fallen. The prewar U.S. import market outlet has been lost. Also the advent of substitutes for tung oil has made further inroads into world demand. Nevertheless, China is still by far the largest producer and exporter of tung oil. Both the Bloc and the Free World countries in Western Europe provide a market (table 16).

TABLE 14.--Peanuts (shelled): Communist China's exports, as recorded in available data of importing countries, 1955-60

[Metric tons]

Importing country	1955	1956	1957	1958	1959	1960 ¹
Free World:						
Canada.....	--	7,200	3,800	3,500	2,618	1,495
West Germany.....	5,400	18,100	14,200	9,275	3,111	--
Netherlands.....	1,700	11,400	14,600	12,400	7,280	3,103
Switzerland.....	29,500	37,100	1,900	4,438	2,085	--
Hong Kong.....	3,500	5,300	2,900	1,519	1,810	--
Yugoslavia.....	--	9,700	11,700	--	--	--
Other.....	5,300	9,200	13,200	8,903	748	111
Total.....	45,400	98,000	62,300	40,035	17,652	4,709
Soviet Bloc:						
Czechoslovakia...	55,000	51,000	43,000	9,000	2,000	--
Hungary.....	20,400	15,800	16,934	2,719	N.A.	--
Poland.....	30,500	30,800	33,000	2,446	10,778	--
USSR.....	195,600	180,400	95,300	38,100	32,600	19.6
Total.....	301,500	278,000	188,234	52,265	45,378	20,000
World total..	346,900	376,000	250,534	92,300	63,030	24,709

¹ Data for 1960 are preliminary and less complete.

United Nations (7), Country-by-Commodity Series (9), Satellite trade statistics, and Soviet trade statistics.

TABLE 15.--Minor oilseeds and vegetable oils: Communist China's exports, average 1935-39, annual 1956-59

[Metric Tons]

Product	1935-39	1956	1957	1958	1959
Oilseeds:					
Sunflower seed.....	--	21,740	5,300	5,520	4,330
Rapeseed.....	17,730	9,200	1,500	3,810	--
Sesame seed.....	73,980	8,300	3,630	5,440	5,440
Castor beans.....	20,420	22,680	24,000	22,590	19,300
Cottonseed.....	71,750	2,270	--	--	--
Flaxseed.....	610	890	710	1,180	800
Vegetable oils:					
Peanut oil.....	32,730	40,820	23,590	38,100	17,510
Soybean oil.....	70,980	51,710	23,590	45,360	45,360
Cottonseed oil.....	9,760	15,970	23,770	23,590	9,070
Rapeseed oil.....	150	2,000	--	3,500	--
Castor oil.....	190	--	--	--	--

For further details see Foreign Agricultural Circular FFO - 28-60 (8).

TABLE 16.--Tung oil: Communist China's exports as recorded in available data of importing countries, 1955-60

[Metric tons]

Importing country	1955	1956	1957	1958	1959	1960 ¹
<u>Free World:</u>						
West Germany.....	4,029	4,114	3,989	4,170	3,186	3,712
Netherlands.....	133	993	694	870	489	667
Norway.....	927	726	698	849	482	449
United Kingdom.....	6,035	5,785	4,591	5,661	1,963	3,963
Hong Kong.....	5,534	7,133	11,193	6,629	2,171	3,444
Japan.....	2,893	3,714	4,031	3,892	2,285	1,268
Australia.....	--	1,359	1,362	1,707	1,187	2,000
Other.....	753	3,680	2,866	2,297	1,868	3,295
Total.....	20,304	27,504	29,424	26,075	13,631	18,798
<u>Soviet Bloc:</u>						
Hungary.....	1,001	987	--	--	--	--
Poland.....	1,700	1,699	1,502	2,562	2,402	1,633
USSR.....	12,000	15,000	15,000	19,200	21,700	10,600
Bulgaria.....	100	50	50	100	100	--
Total.....	14,801	17,736	16,552	21,862	24,202	12,233
World total.....	35,105	45,240	46,086	47,938	37,833	31,031

¹ Data for 1960 are preliminary and less complete.

United Nations (10), Country-by-Commodity Series (3), Satellite trade statistics (4) and Soviet trade statistics (9).

Grains

About 75 percent of China's total planted acreage is sown to grains, which in Chinese statistics also include potatoes and pulses. Around 85 percent of the total calories in the nation's diet comes from grains. Despite grain shortages, the regime has pushed increasing quantities of grains into world markets, making grains the second most important export. These are shown in table 17 for 1956-59.

Of the grain exports, rice stands out as the item of major significance in terms of world trade. A compilation of reported shipments and countries of destination for this major Chinese food grain is shown in table 18.

Rice

Communist China is easily the world's largest producer of rice, accounting for an estimated 35 percent of the 1959 world rice crop. Within recent years China has also forged

TABLE 17.--Grains: Communist China's exports as recorded in available data of importing countries, 1956-59

[Metric tons]

Commodity	1956	1957	1958	1959
Rice.....	1,042,372	492,343	1,258,109	1,601,666
Wheat.....	71,000	21,500	5,000	48,000
Wheat flour.....	--	2,100	3,000	8,500
Pulses ¹	58,000	87,400	120,600	79,700
Tubers ¹	4,100	4,900	4,500	3,500
Corn.....	8,700	12,300	14,900	32,300
Kaoliang and millet...	100	100	1,500	9,500
Barley.....	5,800	5,800	8,700	29,300
Buckwheat.....	--	--	6,600	5,300
Cereal.....	--	--	8,100	14,000
Feeding stuffs.....	--	--	20,800	25,400
Cereal preparations...	--	--	11,100	17,800
Total.....	1,190,072	626,443	1,462,909	1,874,966

¹ Chinese statistics list pulses and potatoes as grain; four units of potatoes equal one unit of grain.

Based on trade data of importing countries.

up toward the front to become one of the leading exporters. The change in China's import-export position in rice is illustrative of the turn-around in the composition of China's foreign trade since the end of World War II. For the period 1933-37 China imported an average of around 804,000 metric tons of rice (6). By 1959 more than 1.6 million metric tons of rice was being exported (table 18) making China a close rival to Burma for the world's leading rice exporter. This gain--made despite the fact that population has increased greatly--is also indicative of the grim persistence and determination of the authorities to collect, ration, and export food grains even though food supplies are inadequate for the Chinese population. The amount shipped in 1960 dropped rather sharply but still exceeded 1 million tons despite acute production difficulties.

It will be noted also that Chinese rice is finding its way into an increasing number of distant world markets. But the bulk of exports has gone to the Soviet Union and other members of the Bloc or to nearby Asian Free World countries.

Chinese rice is beginning to show up, however, in Africa and most recently in Latin America, paralleling China's increasing political role in this part of the world. For example, China made an agreement to supply about 135,000 metric tons of rice to Cuba in 1961. Cuba was formerly a market for U.S. rice. The Chinese are now undertaking to supply part of the Cuban market at a time when food supplies in China are critically short. There are persistent reports of hunger and malnutrition among the Chinese people.

TABLE 18.--Rice: Communist China's exports, as recorded in available data of importing countries, 1955-60

[Metric Tons]

Importing country	1955	1956	1957	1958	1959	1960 ¹
<u>Free World</u>						
Austria.....	980	2,021	--	--	4,863	8,308
Belgium and Luxembourg....	--	--	--	5,495	23,094	19,295
Denmark.....	--	--	--	--	82	--
Finland.....	2,271	492	--	--	--	2,476
West Germany....	--	--	--	4,902	16,162	20,201
Ireland.....	--	--	--	--	1,000	--
Italy.....	--	--	--	--	254	590
Maltese Islands.	--	--	--	77	--	--
Netherlands.....	--	--	--	8,338	17,231	16,130
Norway.....	--	--	--	--	2,348	--
Sweden.....	--	--	--	--	126	10
Switzerland.....	--	--	--	--	426	376
United Kingdom..	--	--	--	2,642	1,910	--
Egypt.....	--	--	--	--	15,164	--
French West Africa.....	--	--	562	29,000	50,831	--
Gambia.....	--	--	--	1,016	49	--
Ghana.....	--	--	--	--	25	1,153
Rhodesia.....	--	--	--	139	330	--
Sierra Leone....	--	--	--	--	2,134	--
Union of South Africa.....	--	--	--	20,591	183	--
Ceylon.....	122,205	246,147	162,562	248,883	279,589	245,633
Hong Kong.....	36,850	51,948	64,528	143,164	52,625	75,747
India.....	--	46,739	14,530	--	--	--
Indonesia.....	--	171	1,900	57,000	220,000	104,000
Japan.....	132,709	112,741	149	86,100	--	--
Malay.....	1,134	10,891	25,862	25,191	15,284	45,194
Pakistan.....	--	68,198	--	68,325	48,887	4,097
Sarawak.....	--	371	127	5,450	6,010	--
New Zealand.....	1	7	4	7	59	--
Cuba.....	--	--	--	--	--	14,335
Total.....	296,150	539,726	270,224	706,320	758,666	557,545
<u>Soviet Bloc</u>						
Bulgaria.....	--	--	--	--	5,300	--
Czechoslovakia..	27,000	20,000	17,000	42,000	84,000	--
East Germany....	19,000	19,000	20,000	6,000	--	--
Hungary.....	--	--	--	6,000	--	--
Poland.....	5,995	6,046	4,019	6,559	63,275	61.0
Rumania.....	--	--	--	14,500	--	--
USSR.....	292,700	457,600	181,100	452,800	658,400	415.6
Other.....	--	--	--	23,930	32,000	--
Total.....	344,695	502,646	222,119	551,789	842,975	476,600
World Total.	640,845	1,042,372	492,343	1,258,109	1,601,666	1,034,145

¹ Data for 1960 are preliminary and less complete.

Trade Statistics of Countries importing Chinese rice.

Another important and possibly related event of late 1960 is that China agreed to purchase 350,000 tons of rice from Burma for delivery in 1961. It has been reported, though not confirmed, that 100,000 tons of this was intended for shipments to Cuba and 200,000 tons to Ceylon. Shipments to Ceylon are a part of the long-standing arrangement in which China exchanges rice for raw rubber.

Livestock and Animal Products³

Large numbers of hogs, sheep, goats, and other livestock are produced in China, even though the nation's diet is basically from plant sources. Hogs predominate. Much of China's agricultural exports consist of livestock and livestock products in the form of live animals, fresh and frozen meat, hides and skins, hog bristles, and wool. As a group, products of the livestock industry constitute China's third most important source of items for exporting.

Despite their numbers, livestock are produced in an unproductive, backward way, from a Western viewpoint. Modern methods of breeding, feeding, and management, which have made such vast improvement in the livestock industry of advanced livestock producing countries, have not been acquired by the Chinese, or are not in general use.

The population pressure on the land practically rules out any extensive developments of grazing land in the heavily populated areas. In the regions where much of the livestock is produced, animals are maintained more or less as scavengers to utilize waste products and as a sideline to grain farming. Also, China has serious problems with infectious parasites and nutritional animal diseases. It was estimated before World War II that about 12 to 15 percent of the cattle and water buffaloes, 20 to 25 percent of the swine, and 60 percent of the poultry died each year of infectious diseases alone (6). Parasites and malnutrition caused serious losses in addition.

The Chinese authorities are undertaking a program to increase the numbers and improve the quality of livestock. Emphasis is put on upgrading breeding stock, improving nutrition, and combating disease epidemics which take heavy tolls of the livestock population annually.

On the disease problem, there is reportedly considerable research being done; veterinarians are being trained and efforts are being made to provide modern medicines. Also, animal sanitation is emphasized. But there is no information as to progress being made toward providing these needed services and supplies, and the quality of work is unknown. It seems unlikely that the Chinese would have effected any large advances in the field of veterinary medicine in the short time available.

³Excludes poultry, eggs, and dairy products.

Actually, the Communist regime has shown little understanding and little ability to cope with practical livestock problems. Even though a strong livestock industry is necessary to the Chinese economy as a source of animal power, meat, manure, raw materials for industry, and commodities for export, the Communists have hampered its growth. The government has failed to leave enough feed in the countryside after it takes its share in taxes and purchase quotas. Also, its pricing policies favor grain and fiber crops, and above all it took the care and management of livestock out of the hands of individual peasants. On the last point it is being discovered belatedly that animals which belong to everybody in the collective actually belong to nobody. Peasants are officially criticized for refusing to show the necessary sense of responsibility for taking proper care of the animals belonging to collectives. Moreover, unless properly handled the intermingling of animals on collective farms can complicate the control problems of communicable diseases.

Meanwhile, the lagging livestock industry has been the object of much high-level concern. In an attempt to rejuvenate the industry, the authorities have given slight price inducements, tightened controls, and at times encouraged individual initiative in producing hogs.

The Soviet Bloc and the Free World provided a market for Chinese livestock and livestock products on about an even basis in 1959. The big market for fresh and frozen meats and wool has been the Soviet Union whereas Hong Kong is the major outlet in the Free World for live animals from China. Other items in this grouping are marketed widely.

Fruits and Vegetables

Many of the important fruits of the world are indigenous to China, including such well-known ones as peaches, apricots, and sweet oranges; and owing to the country's wide range of temperature, almost all types of fruit are produced.

Similarly, it is said that China grows more kinds of vegetables than any other country in the world. The Chinese peasant is highly skilled at gardening and, with ever-present population pressures, necessarily makes the fullest use of every foot of garden land.

It is not surprising, therefore, to find that in 1959, identified Chinese exports of fruits and vegetables ranked as the fourth most important group of export commodities.

The Soviet Union, Hong Kong, and Malaya and Singapore are the leading markets for these crops. Fruit exports for recent years are shown in table 19.

The opportunities for expanding production should be promising. Also, reports from Communist China indicate that significant emphasis is being put on programs to expand production and commercial processing facilities for fruits and vegetables. Both canning and freezing facilities are

TABLE 19.--Fresh fruit: Communist China's exports as recorded in available data of importing countries, 1955-59

[Metric Tons]

Commodity and importing country	1955	1956	1957	1958	1959
Apples:					
Hong Kong.....	2,743	5,284	9,247	14,124	12,701
Soviet Union.....	27,537	37,189	58,019	76,614	73,160
Malaya and Singapore...	203	508	2,642	3,963	2,540
Total.....	30,483	42,981	69,908	94,701	88,401
Oranges:					
Hong Kong.....	14,493	14,022	19,712	17,070	16,054
Soviet Union.....	37,596	39,730	42,880	57,004	47,960
Malaya and Singapore...	10,669	8,738	10,364	11,482	6,605
Total.....	62,758	62,490	72,956	85,556	70,619
Bananas:					
Hong Kong.....	9,958	17,375	15,343	29,162	13,311
Soviet Union.....	1,524	2,134	914	1,931	1,829
Japan.....	--	813	3,455	914	--
Total.....	11,482	20,322	19,712	32,007	15,140
Grapes:					
Hong Kong.....	--	203	406	1,016	813
Japan.....	--	102	--	--	--
Total.....	--	305	406	1,016	813

Economic Committee (3).

reportedly being constructed. There is undoubtedly room for great improvements in handling, processing, and transporting which could expand the market area for Chinese-grown fruits and vegetables. And with collectivized farming and centralized processing, the government has the means of getting control of the produce and pushing larger quantities into world trade if production and processing problems can be solved and a suitable market is available.

Tea

Until 1890 tea contributed nearly half of China's total exports, making China the world's leading tea exporter with annual shipments amounting to 300 million pounds valued at nearly \$U.S. 100 million. After 1890 a steady decline set in, and by 1936 exports had fallen to about 68 million pounds. The primary cause of this drop was the failure of the Chinese

industry to keep pace with the production and processing methods of India, Ceylon, and Indonesia (6).

Tea production suffered further setback as a result of the Japanese attack and occupation. Since the Communists took over, efforts have been made to promote recovery, but progress has not been spectacular. Exports are well below the 1890 level but are well above the prewar level. The Soviet Union and North African countries are the major importing areas for Chinese tea (table 20).

Tobacco

Mainland China rivals the United States as the world's leading tobacco producing country. Tobacco is grown to some extent in nearly every province in China, but except

TABLE 20.--Tea: Communist China's exports as recorded in available data of importing countries, 1955-60

[Million pounds]

Importing country	1955	1956	1957	1958	1959	1960 ¹
<u>Free World</u>						
France.....	--	0.2	0.2	0.2	0.3	0.2
West Germany.....	0.4	.4	.2	.3	.6	.4
United Kingdom.....	4.4	2.2	7.1	9.3	7.8	11.7
Algeria.....	.7	--	2.2	25.4	2.5	1.3
Morocco.....	27.6	27.1	20.3	14.3	11.8	13.7
U.A.R. Egypt.....	--	.4	4.4	.2	13.0	12.1
Iran.....	--	--	7.1	9.8	7.0	
Hong Kong.....	9.9	11.9	11.0	10.0	7.0	8.3
Malaya-Singapore.....	1.8	2.0	4.8	3.0	2.3	2.7
Australia.....	.4	1.1	.9	1.1	.9	1.4
Others.....	2.8	4.0	6.1	1.5	.8	.7
Total.....	48.0	49.3	64.3	75.1	54.0	52.5
<u>Soviet Bloc</u>						
Bulgaria.....	.4	.2	.2	.4	.4	--
Czechoslovakia.....	1.0	.6	.9	1.2	1.4	--
Hungary.....	1.1	.7	1.3	.4	--	--
Poland.....	3.7	4.0	5.7	5.2	6.8	5.1
USSR.....	22.5	27.8	25.4	28.7	38.1	22.5
Total.....	28.7	33.3	33.5	35.9	46.7	27.6
World total.....	76.7	82.6	97.8	111.0	100.7	80.1

¹ Data for 1960 are preliminary and less complete.

United Nations (7), Country-by-Commodity Series (9), Satellite trade statistics, and Soviet trade statistics.

for the flue-cured crop it is largely for home consumption. Production is being emphasized by Chinese authorities with a view to expanding exports. Tobacco, with its high labor requirements and its high dollar value per acre, fits advantageously into China's pattern of resource uses and economic need.

The increase in flue-cured production has been rapid. Since the Communists took over, they claim to have expanded flue-cured production from 42,000 metric tons in 1949 to 299,000 metric tons in 1957, and much higher levels are claimed for 1958 and 1959. The Communist claims are likely too high, but the trend is probably up sharply.

Exports during recent years indicate a sizable effort directed at increasing production (table 21).

The Bloc is taking about 95 percent of Chinese leaf. Only small quantities are being sold in Free World countries. Hong Kong, the Netherlands, West Germany, and Egypt,

TABLE 21.--Tobacco: Communist China's exports as recorded in available data of importing countries, 1955-60

[1,000 pounds]

Importing country	1955	1956	1957	1958	1959	1960 ¹
<u>Free World</u>						
Belgium.....	--	--	350	441	547	--
West Germany.....	120	220	220	441	483	349
Netherlands.....	18	220	114	220	196	26
Portugal.....	--	--	220	220	130	--
Egypt.....	1,102	1,543	2,205	3,207	3,371	3,073
Hong Kong.....	441	64	661	2,205	1,152	1,234
Indonesia.....	17	3,748	1,323	1,323	--	--
Malaya.....	4	39	1,485	499	2	--
Other.....	120	60	110	125	--	317
Total.....	1,822	5,894	6,688	8,681	5,881	4,999
<u>Soviet Bloc</u>						
Czechoslovakia...	6,614	11,023	13,228	11,023	4,409	--
Hungary.....	3,086	3,086	--	--	--	--
Poland.....	5,512	6,614	2,646	4,428	--	3,311
Soviet Union.....	53,572	72,531	97,884	87,082	80,027	33,289
Total.....	68,784	93,254	113,758	102,514	84,436	36,600
World total..	70,606	99,148	120,446	111,214	90,317	41,599

¹ Data for 1960 are preliminary and less complete.

United Nations (7),
Country-by-Commodity-Series (9),
Satellite trade statistics, and
Soviet trade statistics.

among other Free World countries, show some imports of Chinese tobacco. Also some Chinese-grown leaf going to other Bloc countries may find its way into West European markets. Chinese tobacco offered for sale in the Free World at low prices has not been of high quality. China has imported some low quality tobacco from India and Thailand in recent years. Also, the cigarette industry in China is believed to have expanded, increasing domestic consumption of cigarette tobacco.

Poultry, Eggs and Dairy Products

Neither poultry nor dairy enterprises in China have been advanced to any appreciable extent in terms of improved practices. The dairy industry is at present too small to be significant in world trade.

The poultry industry is different. Historically, China has been a leading world producer and a heavy exporter of poultry products. Egg products made up 12.3 percent of China's 1933-37 agricultural exports but declined greatly during World War II (6). Poultry has generally been kept more or less as small scavenger flocks consisting mainly of chickens, geese, and ducks. Poultry production is an enterprise, however, that fitted prewar Chinese conditions relatively well. It is not known how much production has been affected by organizing the peasants into collectives and communes, but this would likely shift production toward a more commercialized operation with greater numbers of birds being produced in establishments set up for the purpose.

Actually, very little is known concerning the current status of the Chinese poultry industry. However, in line with the general approach toward increasing agricultural production, and considering the importance of the poultry industry, it seems probable that increasing production of both poultry and eggs would receive strong emphasis.

Poultry and poultry products, eggs, and feathers have long been important items for exporting. This is still true. In direct contrast to tobacco, the bulk of these items goes to the Free World. Hong Kong, West Germany, the United Kingdom, Italy, and Malaya and Singapore are the leading Free World markets for Chinese eggs. China also dominates the Hong Kong market for poultry meat.

Silk

There are many similarities between the Chinese silk and tea industry over the past several decades. Both have declined in order of importance in the export trade. Before 1850 tea and silk comprised the chief exports. Silk is the oldest Chinese export and between 1870 and 1880 represented 38 percent of China's total exports. By 1936 silk had declined

to only 8 percent. Competition from Japan and the advent of synthetic yarn combined to depress the world market for Chinese silk.

Increased production of silk in China, like tea, is being promoted. Today, raw silk is still an important item in China's foreign trade, and silk fabrics also make a sizable addition. The Bloc takes around two-thirds of China's silk exports with the Soviet Union the big importer. Among the Free World countries, France, West Germany, and Italy provide the leading market outlets.

HIGHLIGHTS OF 1961

The big story in Communist China's foreign trade in 1961 is the fact that after a decade of virtually refusing to import any foodstuffs for domestic consumption the policy had to be abandoned. Faced with the grim prospects of mass famine and political unrest, the regime was forced to enter world grain markets. By year's end China had purchased between 5.5 and 6 million metric tons of food grains for domestic consumption. The bulk of the purchases consisted of wheat and barley purchased from Canada and Australia and rice bought from Burma.

Reflecting the concern that the Chinese officials have about the worsening agricultural situation for the coming years an agreement was signed with Canada in April 1961 calling for the purchase of 6 million tons of grain during the 2-1/2 years from midyear 1961 to the end of 1963. The price of each shipment is to be negotiated separately. The terms of payment are that 25 percent of the purchase price be paid in sterling at the time of purchase and the balance paid in 270 days. Credit has also been requested in purchasing from Australia. The rice bought from Burma may have been paid for with Chinese exports to that country.

In China's agricultural crisis the other members of the Bloc could or would do very little to help. The 1961 Sino-Soviet trade agreement provided for the Soviet Union to supply China 500,000 tons of sugar (probably surplus Cuban sugar) on an interest-free loan basis, and payments on China's debts for the year were to be postponed. The sugar is to be paid back and the debt paid off at a later date. Significantly, the only Chinese agricultural export mentioned as going to Soviet Union in 1961 was tea. This suggests that China is cutting back heavily on farm exports to the Bloc.

On the domestic front, China had to struggle desperately to stave off mass starvation and heavy loss of life. Opinions differ as to the actual death toll from malnutrition and associated diseases in late winter and early spring before the first crops of 1961 were harvested.

The imported grains are believed to have been used to feed the urban population in the coastal cities of north China where food supplies were shortest. The country desperately needed a bumper harvest in 1961 but did not get one.

OUTLOOK

Before the first half of 1961 was over, it was clearly evident that the important fall-sown winter grains would again yield a poor harvest. As in 1960, the important agricultural regions of north China had suffered prolonged drought which persisted for many months. It also seems likely that a lack of rain and the low soil moisture adversely affected the seeding and early growth of the spring-sown crops in the drought area. Also during the summer and early fall there were reports of drought and floods that raise doubts about the intermediate and late rice crop. In short, it seems certain that China in 1961 came up with the third poor crop in as many years. This will dominate her foreign trade in 1962. China will need to import much more grain than she contracted for in 1961, if a means of payment can be found. Foreign exchange earned from the sale of farm products is down while the need to import has increased, making the payment situation doubly difficult. It would not be surprising if China should attempt to secure longer term loans for grain purchases. Indications are that she has already exhausted most if not all of the foreign exchange owned.

In 1962 it seems reasonable to expect that China will sell very few farm products to the Bloc, but she may undertake to keep up exports to Hong Kong and other Free World countries to earn badly needed foreign exchange and to keep political obligations to countries such as Cuba. Probably an increased effort will be made to earn foreign exchange by substituting nonfarm products in foreign sales and by other means.

The prospects for Chinese agriculture beyond 1962 are dim so long as the Communist leadership rules the Mainland. The free-enterprise structure of farming has been destroyed. Institutions, including the right to own land, that had grown from centuries of experience were ruthlessly and recklessly abandoned, with disastrous results. The communes were no substitute. As a result, agriculture has buckled under the burden of providing food and fiber for use at home and for sales abroad. Gross mismanagement of farm resources by the authorities, who put politics over and above sound farming practices, has been the leading cause.

In the above frame of reference, some of the factors that will shape the outcome of present Chinese plans and programs and determine China's role in world farm markets can be briefly cited. Whether China will be an exporter or importer will depend on the solution to the broad general problems in agriculture. The things to note are these:

First, the prime mover in getting things done in Communist China is the strong centralized government. In the long run, coercion is shown by history to be a poor method, in fact, a totally unreliable means of motivating farm people to achieve a high level of agricultural production. It is no

accident that only countries where farmers are independent and free to farm their own land the way they choose have achieved agricultural abundance. The Communists, though claiming a keen sense of history, have ignored this lesson. Consequently, agriculture has proved to be the weakest sector in the economy of every Communist area. Forced labor and factory methods have not worked in agriculture. China, of all the Communist countries, can least afford major agricultural failures.

Second, the Communist approach is to assign first priority to industrial development, which in the early stages starves the agricultural sector for investment capital. The attempt has been made to substitute labor for capital on a massive scale. This, plus reasonably good weather, carried the regime in earlier years, but such a substitution can be done only within limits. The opportunities may be at or near the end. This policy has now been changed or modified, but even so it will take time to bring about a significant change in the domestic supply of agricultural production requisites.

Third, and highly important, the system in principle openly proposes to sacrifice the welfare and energy of the present generation to achieve political and economic objectives for some indefinite future. Getting the peasants to accept this role, imposed on them by the authorities and not of their own choosing, confronts the government with a most difficult problem.

Communist governments have effected and are counting on a counterbalance, however, in the form of several skills which have been perfected to a possibly unprecedented degree. Among these are: (1) Organization for control, (2) effective use of every conceivable form of persuasion and force if need be, and (3) anticipating opposition and neutralizing or removing it. These techniques have enabled the regime to weather more than a decade of difficult problems. Agriculture has been one of the most difficult, and there is no easing in sight. In fact, the situation is deteriorating at present despite the heavy hand that the regime can bring to bear in gaining compliance. The Chinese people are reportedly becoming increasingly apathetic and more difficult to manage in a disciplined manner.

It is certain that agricultural problems will continue to be the major stumbling block. Unless population growth is checked, the government will be extremely hard pressed to feed the population even at the subsistence level and with favorable weather. In the long run, without a check on population or a greatly improved agricultural program with free enterprise restored, China stands to run out of food and fiber, for her population could reach one billion by 1980. This can make the country an annual net importer of food long before reaching major industrial status, and it may already have happened. Certainly the prospects of this happening now appear ominous enough to force even the most stubborn government into bending and relaxing the

current position on investment allocations to agriculture and to face up to the population problem. However, the first alternative cuts at the cornerstone of the regime's plans for a rapid industrial build-up, and the second runs counter to the Communist doctrine concerning the population question. It is not an easy choice. The decisions are vitally important to the long-run outlook. Meanwhile, in good crop years any production above minimum needs is more likely to be exported or put into reserve stock than to be used for increasing rations for the population above the minimum subsistence level.

On the question of where China will elect to trade most heavily--with the Bloc as is now the case or the Free World--there is room for some doubt. China and the Soviets have recently shown increasing signs of disagreement. If this should intensify, the degree of dependency on the Soviet Union for import needs and the current obligations to the Soviets could cause some second thoughts by Chinese leaders who feel a growing sense of independence. This could in time bring about some shifts in the Chinese trade pattern, particularly after the current Soviet aid projects are completed and paid for.

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